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FISCAL IMPACT STATEMENT

LS 7391

BILL NUMBER: SB 529

NOTE PREPARED: Apr 1, 2013

BILL AMENDED: Feb 4, 2013

SUBJECT: Office of Energy Development.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR: Rep. Messmer

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes the Indiana Office of Energy Development (OED) within the Office of the Governor. It provides that the director of the OED is the Chief Energy Officer of the state. It provides that the OED administers:

- (1) the Alternative Fuel Fueling Station Grant Program;
- (2) the Alternative Fuel Vehicle Grant Program for Local Units;
- (3) the Energy Development Fund;
- (4) a low interest revolving loan program in consultation with the Indiana Recycling Market Development Board;
- (5) the Indiana Coal Research Grant Fund;
- (6) the Green Industries Fund, in consultation with the Indiana Economic Development Corporation;
- (7) the Office of Alternative Energy Incentives and the Alternative Energy Incentive Fund;
- (8) the E85 Fueling Station Grant Program, in consultation with the Indiana State Department of Agriculture (ISDA); and
- (9) the Center for Coal Technology Research and the Coal Technology Research Fund.

The bill retains the administration of the home assistance and weatherization programs with the Office of the Lieutenant Governor. It transfers the powers, duties, assets, liabilities, and rules relating to energy and energy development from the Lieutenant Governor and the Center for Coal Technology Research to the OED. It provides that the OED may adopt rules to carry out its responsibilities. The bill also abolishes duties of the Lieutenant Governor relating to energy policy.

The bill establishes the Indiana Office of Defense Development (ODD). It transfers to the ODD the powers,

duties, assets, liabilities, and rules relating to defense from the Office of Energy and Defense Development. The bill also provides that the ODD may adopt rules to carry out its responsibilities, and it makes conforming amendments.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Office of Energy Development (OED):* This bill creates the Office of Energy Development (OED) within the Office of the Governor. It transfers all powers, duties, liabilities, records, property, appropriations and employees of the Lieutenant Governor relating to energy policy as of June 30, 2013 to the OED within the Office of the Governor. Executive Order 13-06 provided for this transfer on January 14, 2013 and also specified that the EO will expire when the General Assembly enacts legislation to codify the new OED within the Office of the Governor.

According to the January 7, 2013 state staffing table, the Lieutenant Governor's Office had 5 employees dedicated to energy policy with salaries totaling about \$250,000. For the 2011-2013 biennium, the State Energy Program was appropriated about \$820,000 each year from the state General Fund and federal funds. About \$620,000 of the appropriation was federal funding.

The OED within the Office of the Lieutenant Governor was charged with administering the Alternative Fuel Fueling Station Grant Programs, the Center for Coal Technology Research, the Office of Alternative Energy Incentives, and the Alternative Energy Incentive Fund. In addition to these programs and funds, this bill provides that the new OED within the Office of the Governor will also administer the following: the E85 Fueling Station Grant Program (in consultation with the ISDA); and the Green Industries Fund (in consultation with the Indiana Economic Development Corporation). The OED will also collaborate with the Lieutenant Governor's Office on the Home Energy Assistance and Weatherization Programs.

Office of Defense Development (ODD): This bill establishes the ODD within the Lieutenant Governor's Office to develop and implement strategies for promoting the defense industry in Indiana. As of February 4, 2013, there were no employees within the Lieutenant Governor's Office carrying out defense development functions. The bill does not contain an appropriation for the ODD. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions. The bill requires the ODD to promote the defense assets located in Indiana; attract defense related industry and activities to Indiana; and promote and assist in the commercialization of the U.S. Department of Defense and other federal intellectual property and assets to create new products, companies, and jobs in Indiana.

Background Information - Alternative Fuel Fueling Station Grant Program: The Alternative Fuel Fueling Station Grant Program, funded by the Alternative Fuel Fueling Station Grant Fund, was established to provide grants to assist in the installation of new alternative fuel compatible fueling stations, and to assist in the replacement of existing fueling stations with fueling stations that are alternative fuel compatible. Grants may not exceed the lesser of the amount of the recipient's qualified investment or \$20,000, and the total amount of grants awarded for state fiscal years is capped at \$1 M. No funds have been appropriated for this program.

Alternative Fuel Vehicle Grant Program for Local Units: The Alternative Fuel Vehicle Grant Program for local units, funded by the Local Unit Alternative Fuel Vehicle Grant Fund, was established to assist local units with the purchase of alternative fuel vehicles and alternative fuel conversion kits. Statute provides that grants are equal to \$2,000 for each alternative fuel vehicle purchased, and an amount equal to the lesser of \$2,000 or the

actual cost of each alternative fuel conversion kit purchased. The total amount of grants awarded for state fiscal years is capped at \$1 M. No funds have been appropriated for this program.

Center for Coal Technology Research and Coal Technology Research Grant Fund: The Center for Coal Technology Research is housed at Purdue University and is charged with performing duties such as developing technologies that can use Indiana coal in an environmentally and economically sound manner, and investigating the reuse of clean coal technology byproducts. Current statute provides that the State Budget Agency oversees the non-reverting Coal Technology Research Grant Fund. As of December 31, 2012, the fund had a balance of \$152,188.

Office of Alternative Energy Incentives and Alternative Energy Incentive Fund: The Office of Alternative Energy Incentives and the Alternative Energy Incentive Fund were both established to be administered by the OED within the Office of the Lieutenant Governor. The fund was established to provide funding to corporations for use in the development of alternative energy projects. Funds were not appropriated to the office or the fund for these purposes, so the Office of Alternative Energy Incentives has not been implemented.

E85 Fueling Station Grant Program: The ISDA and the Office of Energy Development administer the E85 Fueling Station Grant Program, which received funding from the state General Fund. Grant amounts are available up to a maximum of \$20,000 for E85 infrastructure. The most recent grants awarded were awarded in 2011, and totaled about \$86,000 for 9 projects. As of December 31, 2012, the E85 Fueling Station Grant Fund had a balance of \$0.

Home Energy Assistance and Weatherization Programs: Funding for the state's energy assistance program comes from federal funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program and the Weatherization Assistance Program. The programs are primarily funded through the federal LIHEAP block grant.

Green Industries Fund: The Green Industries Fund was established to be administered by the Indiana Economic Development Corporation to provide grants and loans to Indiana manufacturing companies. Funds have not been appropriated to the Green Industries Fund, and so it has never been utilized.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Governor; Lieutenant Governor; Office of Energy Development; Indiana Economic Development Corporation; Indiana State Department of Agriculture.

Local Agencies Affected:

Information Sources: Auditor's Data; Tristan Vance, Office of Energy Development; Mark Wuellner, Indiana Housing and Community Development Authority; www.liheap.org; Eric Shields, Indiana Economic Development Corporation; Mitzi Moss, Indiana State Department of Agriculture; Ryan Heater, Lieutenant Governor's Office.

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